Gamuda (GAM MK)

Galloping Through Lower Grounds

Highlights

- A misalignment between consensus earnings forecasts and the company's earnings delivery has resulted in several rounds of earnings cut in the past two months.
- Nevertheless, Gamuda is still poised to cultivate exponential earnings delivery in FY27-28, lifted by compounding orderbook growth amidst a sector upcycle and deepening exposure in key markets.
- Valuations appear highly attractive with decent-sized capital upside after correction. Maintain BUY with a lower target price of RM5.25 after earnings adjustment.

Analysis

- **Recalibrating mismatch between consensus expectations and reality.** While consensus initially forecasted RM1.4n-1.7b in net profit for FY26-FY27, a slower-than-expected contract conversion pace and more realistic guidance have resulted in several rounds of earnings cut in the past two months. We also adjusted our FY26-27 earnings downwards by 12-15%, reflecting a more toned-down progress billing for several large-scale infrastructure projects which were only secured in FY26.
- **"Hold your horses" on earnings crystallisation, aligning with S-curve methodology.** Assessing Gamuda's existing project pipelines, earnings growth in FY26 (15%) is relatively modest despite RM18b and RM10b-11b of contracts clinched in FY25 and FY26 respectively. This is mainly due to multiple flagship projects such as: a) the Penang Mutiara LRT, b) the Upper Padas Hydroelectric dam, c) Taiwan's rail projects (Xizhi Donghu and Kaohsiung MRT), and d) Sydney Metro West stations packages that have yet to meaningfully scale up. We expect these projects to only chart accelerated progress billing in FY27-28, which are well mirrored in our revised earnings growth forecast of 18-25%.
- **Greener pastures ahead as recent share price retracement priced in plenty downside risks.** After the substantial share price selldown (28% since Aug 25's peak), Gamuda is now trading at 19x FY27F PE (+1SD above mean). Trailing valuations also trace the ex-financials KLCI components' average of 22-23x (assumptions: consensus forward earnings; removing financial stocks). We remain optimistic that Gamuda offers decent-sized capital upside at this juncture, particularly for mid-long-term positioning.

Key Financials

Year to 31 Jul (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	13,346.7	15,970.2	17,520.2	21,411.5	27,096.6
EBITDA	1,107.8	1,536.0	1,813.7	2,147.1	2,631.1
Operating profit	945.2	1,337.2	1,620.6	1,954.7	2,433.7
Net profit (rep./act.)	912.1	1,003.2	1,155.7	1,363.3	1,705.7
Net profit (adj.)	884.1	981.4	1,155.7	1,363.3	1,705.7
EPS	31.9	17.7	20.9	23.0	28.8
PE (x)	13.3	24.0	20.4	18.5	14.8
P/B (x)	1.0	2.0	1.9	1.9	1.9
EV/EBITDA (x)	12.8	10.3	8.7	7.8	6.8
Dividend yield (%)	3.8	2.4	2.8	3.5	4.7
Net margin (%)	6.8	6.3	6.6	6.4	6.3
Net debt/(cash) to equity(%)	45.8	57.2	54.8	60.0	65.2
Interest cover (x)	6.4	8.6	9.3	9.9	11.0
ROE (%)	9.4	10.0	11.2	13.0	15.8
Consensus net profit	n.a	n.a	1,248.9	1,608.9	2,018.4
UOBKH/Consensus (x)	n.a	n.a	0.9	0.8	0.8

Source: Gamuda Berhad, Bloomberg, UOB Kay Hian

BUY (Maintained)

Share Price	RM4.15
Target Price	RM5.25
Upside	26.51%
Previous TP	RM6.21

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Stock Data

GICS sector	Industrials
Bloomberg ticker:	GAM MK
Shares issued (m):	5,929.4
Market cap (RM$m):	24,607.1
Market cap (US$m):	6,309.5
3-mth avg daily t'over (US$m):	25.9

Price Performance (%)

52-week high/low				RM5.7/RM3.6
1mth	3mth	6mth	1yr	YTD
(10.8)	(19.7)	(25.9)	(8.2)	(16.7)

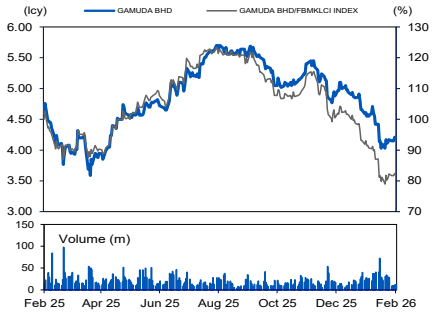
Major Shareholders %

Employees Provident Fund Board	19.1
Vanguard Group	3.8
Generasi Setia M Sdn Bhd	3.7

Balance Sheet Metrics %

FY26 NAV/Share (RM)	2.3
FY26 Net Debt/Share (RM)	1.2

Price Chart



Source: Bloomberg

Company Description

Gamuda is a civil engineering construction company with exposure to property development and water concessions.

- **Phenomenal orderbook replenishments still levelling expectations.** Gamuda has secured RM10-11b worth of contracts in FY26 thus far, lifting its outstanding orderbook to a record high of RM45.9b. Assuming a RM3b-4b quarterly orderbook burn rate, Gamuda has to secure at least RM16b-20b to meet management's orderbook guidance of RM50b-55b by end-26, which will likely be fulfilled by several tender outcomes that are pending finalisation.
- **Our 2026 orderbook replenishment assumptions of RM20b-25b are likely achievable.** Key projects that we anticipate include: a) Penang-Perak Water Infrastructure (estimated at RM4b), b) Negeri Sembilan data centres (DC) (around RM2b each; potentially 1-2), c) Northland Corridor highway in New Zealand (approximately A$4b tender), d) Sunshine Coast Railway in Brisbane (estimated at A$1b-1.5b), e) Marinus Link project (>A$1b; JV between DTI and Samsung C&T), and f) drawdown from Taiwan's Xizhi-Donghu MRT (NT$60b/RM8b). Locally, Gamuda may also secure the tunnelling packages for MRT3 (lowest bidder for CMC 303 tunnelling before a re-tender) following the completion of landbank acquisition by 4Q26.
- **Australia exposure...** Overseas project made up 59% of its construction segment's FY25 revenue. Of this, Australia remains as Gamuda's largest overseas revenue contributing market. We understand that Gamuda currently has >A$10b active tenders and >A$50b addressable orderbook opportunities in diversified Australian projects (renewable energy, rail infrastructures, roads and bridges) throughout FY27-29.
- **…and DC narratives make a good foundation for mid-long term orderbook sustainability.** Note that Gamuda's contract opportunities for the DC campus in Springhill Industrial Park, Negeri Sembilan is estimated to be as high as RM15b-18b in phases over 3-4 years (assuming 8-9 DCs with up to 1GW capacity). Based on Malaysia's 9M25 electricity supply agreements (ESA) for DC projects, there is a combined electricity demand of around 1,100MW which roughly translates into 750-780MW of DC capacity (potential RM15b-16b contract value based on RM20m per MW estimates). We estimate that potential DC tenderbooks in Malaysia for the coming 2-3 years will amount to RM30b which will also support private job flows and provide ample contract opportunities for DC contractors such as Gamuda in FY27-28.
- **Gamuda Land on track for moderate growth, mainly led by Vietnam QTPs.** For the property segment, we forecast a new sales target of RM4.2b-4.3b in FY26 (+2-5% yoy). largely augmented by better contributions from local launches and Vietnam's quick turnaround projects (QTP). Vietnam projects such as Springville, Eaton Park, Artisan Park, Elysian, Gamuda City Hai Phon, and others are expected to contribute RM3.1b sales in FY26 (57% of Gamuda Land's FY26 sales). Meanwhile, Malaysia projects shall continue to deliver a stable earnings stream.

Valuation/Recommendation

- **Maintain BUY with a lower SOTP-based target price of RM5.25** (from RM6.21) following earnings adjustment. Our target price implies 22x FY27F PE (+1.5SD above mean).

Earnings Revision/Risk

- **We reduce our FY26-27 earnings forecasts by 12-15%** to reflect slower progress billing assumptions for several large-scale infrastructure projects which were only secured in FY26.

Orderbook as of 1QFY26

Projects	Value RMb	Progress %
Malaysia:		
Penang Mutiara Line (60% share)	5.8	9
Silicon Island Phase 1	4.5	15
Rasau WTP Phase 1	1.1	45
Data Center Projects	2.9	30
Upper Padas Hydro Dam (75% share)	2.1	13
Enabling work for DC campus	0.7	29
Sarawak Coastal Highway (65% share)	0.7	1
Australia:		
SMW-WTP	0.3	97
Coffs Harbour Bypass (50% share)	0.8	66
M1 Motorway (40% share)	0.2	84
Sydney Water (50% share)	0.2	0
DTI projects	5.9	68
Taiwan:		
Tao Yuan underground (60% share)	1.0	19
Kaoshiung MRT YC01 (88% share)	2.8	3
Xizhi Donghu MRT (75% share)	2.7	13
Marine Structure (70% share)	2.5	0
Others	0.4	66
Singapore:		
Defu station (60% share)	0.4	55
West Coast Station	1.5	13
Total Orderbook	36.6	

Source: Gamuda, UOB Kay Hian

Segmental Forecasts

Revenue (RMb)	FY26F	FY27F	FY28F
Engineering & Construction	13.0	15.6	18.9
Property Dev & Club	4.4	5.7	8.1
Water Concession	0.1	0.1	0.1
Total	17.52	21.41	27.10
EBIT (RMb)			
Engineering & Construction	0.99	1.20	1.47
Property Dev & Club	0.55	0.67	0.88
Water Concession	0.08	0.08	0.08
Total	1.62	1.95	2.43

Source: Gamuda, UOB Kay Hian

SOTP Valuations

	RMm	Remarks
Construction	25,578	25x FY27 PE
Property	10,667	10% discount to RNAV
Water concession	1,772	
Less Net Debt	(6,870)	
Total SOTP value	31,147	
Diluted no. of shares (m)	5,930	
Target Price (RM)	5.25	

Source: Gamuda, UOB Kay Hian

Environmental, Social, Governance (ESG) Updates

• Environmental
- Commits to reducing greenhouse gas emission intensity by 30%/45% in 2025/30.
• Social
- Well-diversified workforce in terms of gender: female (43%) and male (57%).
• Governance
- Independent directors make up 57% of its board.

Source: Gamuda, UOB Kay Hian

Profit & Loss

Year to 31 Jul (RMm)	2025	2026F	2027F	2028F
Net turnover	15,970	17,520	21,411	27,097
EBITDA	1,536	1,814	2,147	2,631
Deprec. & amort.	199	193	192	197
EBIT	1,337	1,621	1,955	2,434
Associate contributions	145	83	86	89
Net interest income/(expense)	(179)	(195)	(216)	(240)
Pre-tax profit	1,304	1,508	1,824	2,283
Tax	(257)	(302)	(401)	(502)
Minorities	(44)	(51)	(60)	(75)
Net profit	1,003	1,156	1,363	1,706
Net profit (adj.)	981	1,156	1,363	1,706

Balance Sheet

Year to 31 Jul (RMm)	2025	2026F	2027F	2028F
Fixed assets	6,441	7,990	9,038	10,085
Other LT assets	4,873	4,943	5,012	5,081
Cash/ST investment	3,260	4,043	3,956	3,957
Other current assets	16,549	16,416	18,747	22,137
Total assets	31,123	33,393	36,752	41,259
ST debt	2,493	2,177	2,346	2,550
Other current liabilities	8,212	9,127	11,058	13,883
LT debt	7,637	8,709	9,385	10,199
Other LT liabilities	628	685	733	805
Shareholders' equity	12,000	12,492	12,965	13,485
Minority interest	153	204	264	338
Total liabilities & equity	31,123	33,393	36,752	41,259

Cash Flow

Year to 31 Jul (RMm)	2025	2026F	2027F	2028F
Operating	(81)	2,422	1,179	1,396
Pre-tax profit	1,304	1,508	1,824	2,283
Tax	(257)	(302)	(401)	(502)
Deprec. & amort.	159	193	192	197
Associates	(145)	(83)	(86)	(89)
Working capital changes	(1,141)	1,105	(351)	(494)
Other operating cashflows	0	0	0	0
Investing	(1,255)	(1,721)	(1,223)	(1,225)
Capex (growth)	(1,291)	(221)	(223)	(225)
Proceeds from sale of assets	20	0	0	0
Others	16	(1,500)	(1,000)	(1,000)
Financing	1,838	82	(44)	(169)
Dividend payments	(154)	(664)	(890)	(1,186)
Issue of shares	195	0	0	0
Proceeds from borrowings	2,337	746	846	1,017
Others/interest paid	(540)	0	0	0
Net cash inflow (outflow)	502	783	(88)	1
Beginning cash & cash equivalent	2,596	3,260	4,043	3,956
Changes due to forex impact	(85)	0	0	0
Ending cash & cash equivalent	3,013	4,043	3,956	3,957

Key Metrics

Year to 31 Jul (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	9.6	10.4	10.0	9.7
Pre-tax margin	8.2	8.6	8.5	8.4
Net margin	6.3	6.6	6.4	6.3
ROA	4.2	4.6	5.1	5.8
ROE	10.0	11.2	13.0	15.8
Growth				
Turnover	249.8	283.8	369.0	493.6
EBITDA	71.2	102.1	139.3	193.2
Pre-tax profit	(98.6)	(98.3)	(98.0)	(97.5)
Net profit	43.3	65.1	94.7	143.6
Net profit (adj.)	11.0	17.8	18.0	25.1
EPS	(37.4)	(26.3)	(18.8)	1.6
Leverage				
Debt to total capital	83.4	85.7	88.7	92.2
Debt to equity	84.4	87.1	90.5	94.5
Net debt/(cash) to equity	57.2	54.8	60.0	65.2
Interest cover	8.6	9.3	9.9	11.0

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